

**GOVERNMENT OF TELANGANA
ABSTRACT**

Municipal Administration and Urban Development Department –Action Taken
Report on the Recommendations of the First State Finance Commission – Orders –
Issued.

MUNICIPAL ADMINISTRATION & URBAN DEVELOPMENT (UBS) DEPARTMENT

G.O.Ms.No.13

Dated: 06.02.2024.

Read the following:-

- 1.G.O.Ms.No.9, PR&RD (Mandal) Department, Dt.12.09.2014.
- 2.G.O.Ms.No.31, PR&RD (Pts.III) Department, Dt.16.03.2015.
- 3.G.O.Ms.No.1, PR&RD (Pts.III) Department Dt.03.01.2018.
- 4.G.O.Ms.No.2, PR&RD (GP.Fin) Department, Dt.09.01.2020
- 5.G.O.Ms.No.299, PR&RD (GP.Fin) Department, Dt.11.07.2023

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ORDER:

In consonance with the Constitutional provisions of the 73rd Amendment Act, 1992, and the powers conferred under Article 243-I of the Constitution of India read with sub-section (1) of Section 235 of the Telangana Panchayat Raj Act, 1994, as adapted in Telangana State vide G.O.Ms.No.9, PR&RD (Mandal) Dept., Dt:12-09-2014, the Governor of Telangana constituted the First State Finance Commission for the State of Telangana vide G.O.Ms.No.31, PR&RD (Pts.III) Deptt., Dt:16-03-2015.

2. Further, as per Article 243Y of Constitution of India the Finance Commission constituted under article 243-I of the Constitution of India read with clause (30) of Section 2 & sub-section (1) of Section 113A of the Telangana Municipalities Act, 2019 shall also review the financial position of the Municipalities and make recommendations to the Governor.

3. Accordingly, the First State Finance Commission has submitted its report with (37) recommendations, out of which (8) recommendations pertains to Financial and (29) recommendations pertains to Non-Financial.

4. Government Vide G.O.Rt.No.299, PR&RD (GPF) Dept., Dt.11.07.2023 have constituted a Committee under the Chairperson of Chief Secretary and 3 Members to examine the recommendations of the First State Finance Commission and to submit the draft Action Taken Report.

5. The Committee meeting was held on 08.09.2023 in the chambers of Chief Secretary. During the meeting, recommendations were discussed and accordingly Draft Action Taken Report was prepared.

6. The Draft Action Taken Report on the recommendations of First State Finance Commission have been placed before the Council of Ministers on 04.02.2024 for its approval before placing the same before the State Legislature. The Council of Ministers have approved the Action taken report as in **Annexure-I & II**.

7. The Departments in Secretariat/HODs noted in the address entries are requested to issue necessary follow up orders or instructions for implementation of these recommendations.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF TELANGANA)

**M.DANA KISHORE
PRINCIPAL SECRETARY TO GOVERNMENT**

To

The MA&UD / PR&RD, RWS/ TR&B/Revenue (Excise)/ Industries & Commerce Departments.

The Commissioner of Printing Stationary and Store Purchase, Hyderabad

The Commissioner & Director of Municipal Administration, Hyderabad.

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The Commissioner, Greater Hyderabad Municipal Corporation, Hyderabad.
The Commissioner, Hyderabad Metro Water Supply and Sewerage Board, Hyd.
The Commissioner, TSIRD, Hyderabad.
The Commissioner & Inspector General, Registration and Stamps, Hyderabad.
The Commissioner of Transport, Hyderabad.
The Principal Chief Conservator of Forests, Telangana, Hyderabad
The Engineer-in-Chief, Public Health, Hyderabad
All the District Collectors in the State.

All the Additional Collectors Local Bodies in the State

All the Municipal Commissioners of Municipalities in the State

Copy to:

The Principal Accountant General (A&E/Audit-I & II), Hyderabad.

The Director of Treasuries & Accounts, Telangana, Hyderabad.

The Finance and Planning (FW. EXPR. PR.) Department, Telangana Secretariat,
Hyderabad.

The Director, Local Fund Audit , Hyderabad.

All Audit Officers in the State.

The Director General, National Institute of Urban Management, Hyderabad

The Director General, MCRHRDI, Hyderabad

The Director, Regional Center for Urban and Environmental Studies, Hyderabad

The G.A.(Cabinet) Department, Secretariat, Hyderabad.

All the Concerned Sections in MA&UD Department.

SF/SC.

// FORWARDED:: BY ORDER//

ASSISTANT DIRECTOR

Annexures to G.O. Ms. No. 13, MA&UD (UBS) Department, dated 06-02-2024

Annexure- I

Financial Recommendations of the First State Finance Commission (Urban)

- 9.4. A.** Commission recommends to transfer 11% of State Own Net Revenue based on respective Revised Estimates for last financial year, every financial year during the 5 years period commencing from financial year 2020-21 to 2024-25. Here, State Own Net Revenue means Revenue from all Taxes, Duties, Tolls and Fees and including GST compensation if any received from Government of India but minus cost of collecting these revenues which is taken as 1%. Out of this devolution, 61% will be earmarked for Rural Local Bodies (Percentage of Rural population as per Census 2011) and 39% to Urban local bodies.

Decision of the Government:
Accepted.

- 9.4. B.** Commission recommends continuation of existing Assigned Revenue of Profession Tax, Seigniorage Fee and Transfer Duty (Entertainment Tax already subsumed in GST) and transfer 95% of each of Assigned revenues to local bodies.

Decision of the Government:
Not accepted.

- 9.4. C.** Commission recommends for incurring required expenditure additionally from consolidated fund of the State for Construction of offices for newly created ZPPs, MPPs, GPs and ULBs, over a period of next three years.

Decision of the Government:
Accepted.

- 9.4. D.** To ensure equity and take care of local bodies which have very little or no scope in assigned revenues, it is recommended to put all assigned revenues in a divisible pool and divide the revenue among all local bodies based on the formula for division of share in State Own Net Revenue

Decision of the Government:
Accepted as this provision is made in the TMA, 2019.

- 9.5.** Formula for Distribution of Revenue among Local Bodies:

Decision of the Government:
Will be examined.

- 9.6.** Transfer of Funds in 10 Equal Monthly Installments:

Decision of the Department:
Accepted.

9.8. Revolving Innovation Project Funds for Rural and Urban Local Bodies (referred in para 9.5 (9) and (11):

Five percent (5%) of funds earmarked for devolution to rural and urban local bodies respectively every year shall be transferred to respective Revolving Funds (non-lapsable fund) at the beginning of each financial year. These two funds will be operated by Commissioner Panchayat Raj and Commissioner and Director Municipal Administration respectively. Respective local bodies can apply upto a maximum of 50% of estimated project cost as interest free loan repayable over 5 years. The projects which directly bring in Cost Reduction or Enhancement of Revenue Generation will only qualify for such loan. In rare case when repayment is delayed, the respective HoD can deduct the installment at source while releasing SFC grant. The respective HoDs may frame appropriate guidelines for operating the fund.

Proposal of the Department:

Accepted

**M. DANA KISHORE
PRINCIPAL SECRETARY TO GOVERNMENT**

Annexure – II

Non-Financial Recommendations of the First State Finance Commission (Urban)

9.9.2. State Finance Commission subject under Finance Department:

Presently SFC subject is under PR Department. SFC's main role is to recommend on financial devolution to PR local bodies like ZPPs, MPPs and GPs which comes under Panchayat Raj & Rural Development Department; and Urban Local Bodies which comes under Municipal Administration & Urban Development Department. Hence it will be better if SFC subject is brought under Finance Department

Decision of the Department:

Accepted.

9.9.3. Timely constitution of SFC every fifth year:

Recommended that SFC must be constituted with its Chairman and Members at least two years prior to end of current SFC award period so that new award is ready as soon as current award period ends. SFC must be asked to give its recommendation within two-year time frame allotted to it and Government must thereafter issue necessary orders on the recommendations of SFC, as accepted by Government, within 3 months of the submission of SFC report. It will help local bodies to get their due share from prevailing States' Own Tax Revenues.

Proposal of the Department:

Accepted.

9.9.4. Monitoring of implementation of SFC recommendations on regular basis:

Recommended that Government should create an independent Section in Finance Department for monitoring transfer of Funds to Local bodies and furnish quarterly report to Chief Secretary. C&AG may also be requested to give its observation on implementation of SFC recommendations in its annual report to Legislature. This section in Finance Department will also provide necessary administrative memory for next SFC. Such arrangement will help in ensuring that local bodies get their due share of resources in time so as to function as centres of Self Governance.

Proposal of the Department:

Accepted

9.9.5. Tax administration and Revision of Taxes, Fees and Water charges by local bodies on annual basis:

Recommended that Taxes, Fee and Water charges etc should be reviewed every year as part of annual budget exercise and revision if any made, should be made applicable from 1st of April of that financial year. To ensure that annual exercise is taken up every year as part of budget exercise, it is also recommended that Local body shall not increase taxes, Fees and Water charges etc by more than 10%, cumulative, in any one financial year.

Existing Property Tax Board may be renamed as Local Body Regulatory Board and activated for suggesting annual revision as part of Budget exercise, in Property tax, Building Permission Fee, Other taxes, Other Fees and Water Charges etc in addition to its other functions.

Decision of the Department:

Not accepted.

However, the proposed **change in nomenclature** for the Property Tax Board **is accepted**

9.9.6. Simplification and transparency in levy of Property Taxes:

Local Bodies should explore levy of Property Tax based on Plinth area multiplied by Standard Property Tax Rate per Sft. for that Road/Area notified by Local Body every year on the recommendation of Property Tax Board. Such a system will bring certainty in tax levy and reduce scope for subjectivity in tax levy.

Decision of the Department:

Section 93(1) of the New Municipalities Act, 2019 and rules made thereunder facilitates capital value based property tax assessment. Hence, the provisions of the Act will be followed, instead of the recommendations.

9.9.7. Resurvey of all Tax Incident points:

In order to capture all points where Tax is to be levied, local body must do comprehensive survey of all tax incident points, new and existing, every five years like revision of electoral rolls. 5% of Survey work should be super checked by senior team for its correctness and fairness. New electricity connections issued list be obtained from local DISCOM on monthly basis and cross checked with Property Tax Register for detecting un-assessed properties on continuous basis. DISCOM may be asked to put online report on new connections released on their website so that such information can be accessed by local bodies without any human intervention.

Decision of the Department:

Accepted.

9.9.10. Local Bodies to obtain list of Profession Tax Payers from Commercial Tax Department on annual basis and make annual field survey for detecting un-assessed cases to bring to the knowledge of Commercial Tax Department.

Decision of the Department:

Not accepted.

9.9.11. Rental on Local Bodies Properties:

Recommended that Local Body enter into lease agreement with Lessee for a period not exceeding five years with absolutely no provisions for its extension. New agreement should be entered on expiry of lease period based on current rental values prevailing in the area. Although lease period may be up to five years but lease agreement must have provision for enhancing rent on 1st April of every year by 5% on rent paid in previous month i.e. in March month. It will give buoyancy in rental income.

Decision of the Department:

Accepted as it is already under implementation.

9.9.12. Revenue from Parking Fee:

Recommended that Local body should follow Tender cum Auction method with minimum amount for awarding Parking Contract. Auction should be conducted among Highest three bidders only. Contract period should not exceed 12 months and no provision for its extension on any ground. This exercise should be done every year in the month of January/February so that new contract is made effective from 1st April.

Decision of the Department:

Accepted.

9.9.13. Revenue from renting out space for Advertisement: Same procedure as that for Parking area could be followed.

Decision of the Department:

Accepted

9.9.14. Maintenance of Public Conveniences and Facilities on Contract basis:

It is suggested that Local Bodies to explore maintenance of Public Toilets and other public facilities on Annual Maintenance Contract basis. There should be formal arrangement for daily inspection of these facilities by appropriate level of staff of Local Body with endorsement in inspection register and reduction in payment if facility is not maintained properly. Mobile App for taking feedback from citizens and reduction in payment to agency based on negative Feedback from Citizens.

Decision of the Department:

Accepted

9.9.15. Mechanism for Monitoring and Comparison of Expenditure and Revenue across Local Bodies:

Decision of the Department:

Accepted

9.9.16. Computerisation of Accounts of all Local bodies:

Decision of the Department:

It is already under implementation. Accepted.

9.9.17. Computerisation of all Taxes and Fees related activities so that citizen can make payment of all Taxes and Fees, etc., online.

Decision of the Department:

Both assessment and collection of all taxes and fees in ULBs in the State is already computerized. The recommendation is accepted

9.9.18. Transparency in Collection and Utilisation of Resources:

Decision of the Department:

Both assessment and collection of all taxes and fees in ULBs in the State is already computerized. Hence, the recommendation is **accepted**.

9.9.20. Use of Solar Power:

All local bodies must install Grid Connected solar power plants within 3 years to meet at least 80% of their power requirements from Solar power. It will help in reducing their expenditure on Electricity and also protect environment against climate change due to global warming. They must also move to LED lighting and BLDC fans to conserve power.

Decision of the Department:

Accepted.

9.9.21. Water Meters for all Connections including Public Taps:

To ensure efficient use of scarce drinking water resource, it is recommended that all water connections must have Water Meters installed even if Local body plans to provide Free Water to citizens. Water Meter must also be installed for Public Taps to account for every liter of scarce resource like drinking water.

Decision of the Department:

Partially accepted with the decision to install meters for all non-domestic connections.

9.9.22. Safe Piped drinking water for all:

It is the first primary duty of any Municipality and Gram Panchayat to provide safe drinking water to all its citizens at their door steps. Hence All local bodies must prepare plan for supplying adequate safe piped drinking water to all citizens at their door steps within next 2 years.

Decision of the Department:

Accepted.

9.9.23. Solid Waste Management:

Municipalities and GPs must strive to achieve in next 5 years 100% Solid Waste Collection from house to house and disposal as suggested above. Wet Waste composting machines can also be encouraged at Bulk Waste generator level/Resident Welfare Association (RWA) level by offering incentives or subsidy or reduction in Property Tax. Local Bodies should also explore engaging the services of reputed third party on contract basis for collection of segregated waste every day from each house and from bulk waste generators.

Decision of the Department:

All these activities are being practiced in all ULBs across the State and the stated objective of 100% achievement in next five years is accepted.

9.9.24. Power generation from Waste:

To generate power from waste even if it is to be subsidised by local body in the interest of environment and quality of life for its citizens.

Decision of the Department:

It is under implementation in GHMC area. For other ULBs a cluster based approach will be taken up. Hence accepted.

9.9.25. Sewerage Line coverage and Recycling of Sewerage water for industrial and non-drinking water use:

Municipalities and GPs must prepare plan for treating and recycling at least 75% of its sewerage waste water in next 5 years and 100% in next 10 years.

Decision of the Department:

Accepted.

9.9.26. Public Road maintenance:

Provision of good roads is what citizen expects from local body. Urban Local Bodies and GPs must have plan in place to re-carpet all main roads every year and all other roads once in two years.

Decision of the Department:

Not accepted.

9.9.27. Make your city Green:

To combat climate change which is looking very real now and to protect environment from pollution, all local bodies should plan to increase green cover in their jurisdiction.

Decision of the Department:

Accepted.

9.9.28. Accountability in spending Public Funds / Annual Audit of Local Bodies:

State Government must prepare Calendar for annual audit of all Local bodies such that all physical visits for annual audits of previous financial year are completed by end of October month of current financial year and audit reports are communicated to all local bodies before close of current financial year.

To put in place formal system for regular monitoring of rectification of defects pointed out in audit. It will require focused and continuous efforts to take up this challenge to ensure effective and efficient utilization of public resources. Common observations of audit should also be used as feedback for planning for training the staff in domain knowledge in that specific area.

Decision of the Department:

Already under implementation. Accepted.

9.9.29. Capacity building of Local Body staff:

Service of TSIRD and MCR HRD Institute, Hyderabad may be utilised to train them extensively on regular basis. Based on Feedback from Audit reports, special training programme may also be structured for identified weak areas.

Decision of the Department:

Accepted.

M. DANA KISHORE
PRINCIPAL SECRETARY TO GOVERNMENT